

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1227-01  
Bill No.: HB 413  
Subject: Tax Credits; Taxation and Revenue - Income; Energy  
Type: Original  
Date: February 8, 2013

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Bill Summary: This proposal extends the provisions regarding the tax credit for a Missouri wood energy producer and limits the total amount of tax credits to \$4.5 million in any fiscal year.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$3,294,970)	(\$3,294,970)	(\$3,294,970)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$3,294,970)</b>	<b>(\$3,294,970)</b>	<b>(\$3,294,970)</b>

\* This credit has an annual cap that could raise the above stated revenue reduction to no more than \$4,500,000 per year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 4 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration - Budget and Planning** assume this proposal extends the wood energy tax credit until June 30, 2018, and creates an annual cap of \$4.5 million. This will reduce General and Total State Revenues by similar amounts.

Officials at the **Department of Natural Resources** assume there is no additional direct fiscal impact to the Division of Energy from this proposal. The duties would continue to be absorbed by existing staff.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

According to the Tax Credit Analysis submitted by the Department of Natural Resources regarding this program, the Wood Energy Producer tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	\$3,204,481	\$3,269,364	\$3,060,710
Amount Redeemed	\$1,546,453	\$3,818,378	\$2,282,401

**Oversight** assumes this tax credit was to expire on June 30, 2013 (FY 2013). This proposal extends the tax credit until June 30, 2018 (FY 2019); therefore, **Oversight** will show a loss to state revenue for credits that could be issued in FY 2014, FY 2015 and FY 2016. This proposal places a \$4.5 million annual cap on this credit. **Oversight** will reflect a loss of revenue to the State equal to the average amount issued over the last five years (\$3,294,970).

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
	(10 Mo.)		

### **GENERAL REVENUE**

<u>Revenue Reduction</u> - extension of the wood energy producer tax credit *	<u>(\$3,294,970)</u>	<u>(\$3,294,970)</u>	<u>(\$3,294,970)</u>
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### **ESTIMATED NET EFFECT ON**

<b>GENERAL REVENUE</b>	<u><b>(\$3,294,970)</b></u>	<u><b>(\$3,294,970)</b></u>	<u><b>(\$3,294,970)</b></u>
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\* This credit has an annual cap that could raise the above stated revenue reduction to no more than \$4,500,000 per year.

FISCAL IMPACT - Local Government

FY 2014  
(10 Mo.)

FY 2015

FY 2016

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses that are wood energy producers and receive this credit may be impacted.

FISCAL DESCRIPTION

This proposal extends the provisions regarding the tax credit for a Missouri wood energy producer from June 30, 2013, to June 30, 2018, and limits the total amount of all tax credits in any fiscal year to \$4.5 million.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources  
Department of Revenue  
Office of Administration  
Budget and Planning



Ross Strobe  
Acting Director  
February 8, 2013